

Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**HYDRO-CLEAN FUEL SYSTEMS, INC.
GARY L. DAVIS
CYNDY PEDERSEN
ENSENTECH, INC.
GARY G. SCOTT
JAN W. CARLSON**

Respondents.

ORDER TO SHOW CAUSE

**Docket no. SD-05-0048
Docket no. SD-05-0049
Docket no. SD-05-0050
Docket no. SD-05-0051
Docket no. SD-05-0052
Docket no. SD-05-0053**

**TO: Hydro-Clean Fuel Systems, Inc.
960 Bollen Circle
Gardnerville, NV 89410**

**Gary L. Davis
5040 West 1400 North
Garland, UT 84321**

**Cyndy Pedersen
329 North 1250 West, #3
Centerville, UT 84014**

**Ensentech, Inc.
960 Bollen Cir.
Gardnerville, NV 89410**

**Gary G. Scott
239 N. 1250 W. #3
Centerville, UT 84014**

**Jan W. Carlson
239 N. 1250 W. #3
Centerville, UT 84014**

It appears to the Director of the Utah Division of Securities (Director) that Hydro-Clean Fuel Systems, Inc., Gary L. Davis, Cyndy Pedersen, Ensentech, Inc., Gary G. Scott and Jan Carlson (collectively Respondents) have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Having reviewed the relevant facts discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF FACTS

THE PARTIES

1. Hydro-Clean Fuel Systems, Inc., (Hydro-Clean) registered as a Nevada corporation in May 2003 and is currently an active corporation. Hydro-Clean's registered agent is Rolan Campbell. Campbell's address is 960 Bollen Circle, Gardnerville, Nevada.

2. Gary L. Davis (Davis) is the president of Hydro-Clean. Davis' last known address is 5040 West 14400 North, Garland, Utah. Davis was formerly the president of Ensentech Energy Corporation, which was registered as a Nevada corporation in February 2000, but is currently listed as a revoked corporation as of March 2003.
3. Cyndy Pedersen (Pedersen) is the secretary and treasurer of Hydro-Clean. Pedersen's last known address is 329 North 1250 West #3, Centerville, Utah.
4. Ensentech, Inc. (Ensentech) registered as a Nevada corporation in October 1983, and is currently an active corporation. Ensentech's registered agent is Rolan Campbell. Campbell's address is 960 Bollen Circle, Gardnerville, Nevada.
5. Gary G. Scott (Scott) is the president of Ensentech. Scott's last known address is 239 North 1250 West, #3, Centerville, Utah.
6. Jan W. Carlson (Carlson) is the secretary and treasurer of Ensentech. Carlson's last known address is 239 North 1250 West, #3, Centerville, Utah.
7. On information and belief, Hydro-Clean and Ensentech are related entities. Ensentech reportedly utilizes the technology developed by Hydro-Clean, and the companies share an office in Centerville, Utah.

GENERAL ALLEGATIONS

8. On October 1, 2004, the Division received a call from a resident of the State of Washington who was solicited to purchase shares of Hydro-Clean / Ensentech stock and wanted to inquire about the companies.

9. Finding no filing for Hydro-Clean / Ensentech securities, the Division contacted Hydro-Clean's president, Davis, and wrote a letter to Hydro-Clean's attorney, Jim Barber, to get more information.
10. On December 23, 2004, the Division received a responsive letter from Mr. Barber on behalf of Hydro-Clean. According to Mr. Barber's letter, since May 2003, Hydro-Clean has sold its stock to approximately fifty people; Hydro-Clean's stock was not registered with the Division; and investors did not receive disclosure documents, sales literature, formal subscription agreements or offering questionnaires.
11. Based on information received from Mr. Barber, the Division suggested that Hydro-Clean remedy the situation by filing an SEC Form SB-2 rescission offer by April 14, 2005.
12. On April 13, 2005, Mr. Barber met with Benjamin Johnson, the Division's Director of Corporate Finance, and Gary Bowen, an Examiner with the Division, to discuss the rescission offer. Mr. Barber represented that Hydro-Clean would provide its CPA audited financial statements to the Division within two to four weeks.
13. As of August 2005, the Division has not received Hydro-Clean's CPA audited financials, or any other documents in furtherance of the rescission offer.
14. In January 2005, the Washington Department of Financial Institutions (Washington Department) contacted the Utah Division of Securities to discuss the Hydro-Clean / Ensentech investigation.

15. In July 2005, the Washington Department provided the Division with investor lists for Hydro-Clean and Ensentech, which were acquired in the course of its own investigation. The investor lists show that both Hydro-Clean and Ensentech have Utah investors.

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1 of the Act (Respondents Hydro-Clean Fuel Systems, Inc., Gary L. Davis, Cyndy Pedersen)

16. The Division incorporates and re-alleges paragraphs 1 through 15.

17. Section 61-1-1 of the Act states

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to: (2) make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

18. In connection with the offer and sale of securities in or from the State of Utah, Respondents Hydro-Clean, Davis, and Pedersen directly or indirectly, failed to disclose the following material information:

- a. Hydro-Clean's business and operating history;
- b. Identities of Hydro-Clean principals along with their experience in this type of business;
- c. The market for the product of the company;
- d. The nature of the competition for the product;
- e. Current capitalization of Hydro-Clean;

- f. A description of how the investment makes money;
 - g. The track record of Hydro-Clean to investors;
 - h. Risk factors for investors
 - i. The number of other investors;
 - j. The minimum capitalization needed to participate in the investment;
 - k. The disposition of any investments received if the minimum capitalization is not achieved;
 - l. The liquidity of the investment;
 - m. Discussion of pertinent suitability factors for the investment;
 - n. The proposed use of the investment proceeds;
 - o. Any involvement of the issuer or the principals in certain legal proceedings, including bankruptcy and prior violation of state or federal securities laws;
 - p. Any conflicts of interest the issuer, the principals, or the agent may have with regard to the investment;
 - q. Agent commissions or compensation for selling the investment;
 - r. Whether the investment is a registered security or exempt from registration; and
 - s. Whether the person selling the investment was licensed.
19. Respondents Hydro-Clean, Davis, and Pedersen violated § 61-1-1(2) of the Act by failing to disclose the above mentioned material information to Utah investors prior to investors' purchase of Hydro-Clean stock.

COUNT II
Sale of Unregistered Securities under § 61-1-7 of the Act
(All Respondents)

20. The Division incorporates and re-alleges paragraphs 1 through 19.

21. Section 61-1-7 of the Act states

It is unlawful for any person to offer or sell any security in this state unless it is registered under this chapter, the security or transaction is exempted under Section 61-1-14, or the security is a federal covered security for which a notice filing has been made pursuant to the provisions of Section 61-1-15.5.

22. The securities offered and sold by the Respondents are not registered with the Division, not federal covered securities for which a notice filing has been made, nor do they appear to qualify for an exemption under § 61-1-14 of the Act.

23. The Respondents¹ therefore violated § 61-1-7 of the Act by selling unregistered securities in Utah.

ORDER


The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur at a date,

¹ Section 61-1-22 of the Act, which is the section regarding civil liability, provides guidance regarding liability of other controlling entities or individuals associated with the seller of a security. Section 61-1-22(4)(a) provides that “[e]very person who directly or indirectly controls a seller or buyer liable under [Section 61-1-7], every partner, officer, or director of such a seller or buyer, every person occupying a similar status or performing similar functions . . . who materially aids in the sale or purchase . . . are also liable jointly and severally with and to the same extent as the seller or purchaser.”

time and place agreed upon by the parties after an answer has been filed. If Respondents fail to file an answer and appear at the hearing, an order to cease and desist may be issued and a fine imposed by default against Respondents, as provided by Utah Code Ann. §63-46b-11. At the hearing, Respondents may show cause, if any they have:

- a. Why Respondents should not be found to have engaged in the violations alleged by the Division;
- b. Why Respondents should not be barred from obtaining a securities license in the future under the provisions of Utah Code Ann. § 61-1-6;
- c. Why Respondents should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. §§ 61-1-1, 61-1-7, or any other section of the Act;
- d. Why Respondents Hydro-Clean, Davis and Pedersen should not be ordered to pay a fine, jointly and severally of \$25,000 to the Division; and
- e. Why Respondents Ensentech, Scott and Carlson should not be ordered to pay a fine, jointly and severally of \$25,000 to the Division.


DATED this 1st day of Sept, 2005.



DAVID PREECE
Director, Utah Division of Securities



Approved:


JEFFREY BUCKNER
Assistant Attorney General

Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
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Respondents.

NOTICE OF AGENCY ACTION

Docket no. SD-05-0048
Docket no. SD-05-0049
Docket no. SD-05-0050
Docket no. SD-05-0051
Docket no. SD-05-0052
Docket no. SD-05-0053

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

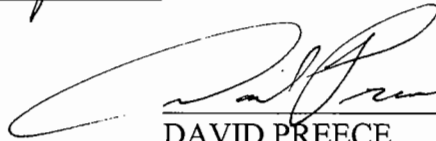
Within thirty (30) days of the date of this notice, you are required to file a written response with the Division. The response you file may be helpful in clarifying, refining or narrowing the facts and violations alleged in the Order to Show Cause. After your response is filed, a hearing will be set and a date and time agreed upon by the parties.

If you fail to file a written response, as set forth herein, or fail to appear at the hearing, the Division of Securities will hold you in default, and a fine will be imposed against you in accordance with Utah Code Ann. §64-46b-11, without the necessity of providing you with any further notice.

The presiding officer in this case is David Preece, Director, Division of Securities, 160 East 300 South, P.O. Box 146760, Salt Lake City, UT 84114-6760, telephone (801) 530-6600. The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. At such hearing, the Division will be represented by the Utah Attorney General's Office, 160 East 300 South, P.O. Box 140872, Salt Lake City, UT 84114-0872, telephone (801) 366-0310. At the hearing, you may appear and be heard and present evidence on your behalf.

You may attempt to negotiate a settlement of the matter without filing an answer or proceeding to a hearing. Should you so desire, please contact the Utah Attorney General's Office. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to Jeff Buckner, Assistant Attorney General, 160 E. 300 South, P.O. Box 140872, Salt Lake City, UT 84114-0872, telephone (801) 366-0310.

DATED this 1st day of Sept, 2005.



DAVID PREECE
Director, Division of Securities
Utah Department of Commerce



Certificate of Mailing

I certify that on the 6TH day of SEPTEMBER, 2005, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Hydro-Clean Fuel Systems, Inc.
960 Bollen Circle
Gardnerville, NV 89410

Certified Mail # 7005 1160 0003 7041 6366

Gary L. Davis
5040 West 1400 North
Garland, UT 84321

Certified Mail # 7005 1160 0003 7041 6373

Cyndy Pedersen
329 North 1250 West, #3
Centerville, UT 84014

Certified Mail # 7005 1160 0003 7041 6380

Ensentech, Inc.
960 Bollen Cir.
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Gary G. Scott
239 N. 1250 W. #3
Centerville, UT 84014

Certified Mail # 7005 1160 0003 7041 6403

Jan W. Carlson
239 N. 1250 W. #3

Centerville, UT 84014

Certified Mail # 7005 11600003 7041 6410

Pamela Radzinski
Executive Secretary